

BELTRAMI NEIGHBORHOOD COUNCIL

AGREED UPON PROCEDURES

JANUARY, 2015

PREPARED BY:

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To: The Board of Directors, Beltrami Neighborhood Council,

We have performed the procedures enumerated below, which were agreed to by the Beltrami Neighborhood Council, solely to assist the specified parties in evaluating management's assertion that Beltrami Neighborhood Council complied with City of Minneapolis requirements for the year ending December 31, 2014. The Beltrami Board of Directors is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures were designed to assess the internal control environment related to the Neighborhood and Community Relations (NCR) awards. We have performed the procedures enumerated within this report which were agreed to by Beltrami Neighborhood Council. The procedures we applied and our findings are described within this report.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Beltrami Neighborhood Council and the City of Minneapolis' Neighborhood and Community Relations staff and is not intended to be and should not be used by anyone other than these specified parties.

Michael S. Wilson, CPA

Minneapolis, Minnesota

January 26, 2015

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

I. Mission Statement

The Beltrami Neighborhood Council (BNC) was established to improve the social, economic, and general livability standards of the neighborhood. The BNC is currently developing a Mission Statement to guide neighborhood programs and projects.

Program Highlights

The majority of Beltrami's programs were designed to encourage community engagement.

During 2013, BNC accomplished the following activities.

- 1) Community Garden: The Beltrami Neighborhood Council (BNC) continued to lease plots in our community garden.
- 2) Neighborhood Festival: We held a neighborhood festival in Beltrami Park with food, games, and fun. It was a great way for neighbors to come together and build relationships.
- 3) We developed and implemented a BNC Neighborhood Commercial Matching Grants Program.
- 4) We continued to offer Housing Loans. In 2013, 2 loans were closed totaling \$11,401.95 in improvements.
- 5) The BNC engaged residents (door knocking, meetings, etc.) regarding the MNDOT Sound Wall proposal.
- 6) The BNC responded to concerns regarding the roundabout (one-on-ones, emails, phone calls, meetings).
- 7) The BNC participated in the Northeast Park Community Advisory Committee.
- 8) The BNC attended local events (Third Ward Neighborhood Fest, etc.) to talk with the community about Beltrami.

In 2014, the BNC:

- 1) Knocked on every door in the neighborhood at least two times in an effort to assess neighborhood assets and connect neighbors through common interests.
- 2) Leased all community garden plots.
- 3) Brought together neighbors with a summer festival.

Findings

Beltrami provides programs that are consistent with their mission and also meets the contractual obligations of their relationship with the Department of Neighborhood and Community Relations.

II. Corporate Governance

The Beltrami Neighborhood Organization is a membership organization. Membership is available to all residents and property owners in the neighborhood. The Board of Directors is elected to serve by members. There are 9 directors and 4 officers on the Board (Chair, Vice Chair, Secretary, and Treasurer). Board representation includes one position reserved for a business owner and another position reserved for an absentee landlord. Elections are held at an annual meeting. The board terms are staggered with 2 year terms.

Monthly board meetings are usually held on the 1st Monday of each month. Monthly meeting minutes are publicly available via posting on the organization's web site along with the bylaws. A number of subcommittee perform due diligence on projects. These subcommittees include Crime, Housing, Dog Park, Communications, Events and Garden. However, only the board has authority to make decisions for BNC.

The board of directors is aware of their fiduciary responsibilities. An annual budget is reviewed by and approved by the Board of Directors. The Board of Directors also reviews financial statements on a quarterly basis.

Findings

BNC relies on board members to perform a significant amount of work. The BNC should develop a policy and procedure manual to help manage transitions to new board members since institutional knowledge will be lost with board turnover.

Client Response

The BNC has hired a part-time staff person to assist the BNC with its neighborhood initiatives and programs. The BNC is currently developing a Policy and Procedures Manual, including a specific section dedicated to Fiscal matters. The BNC plans to review and adopt the Manual in early 2015.

III. Management

The BNC has employed two part-time staff in 2014 to perform functions. Prior to hiring staff, the BNC operated without staff since June, 2012. Each position is paid as an employee at an hourly rate.

Findings

Each position should have a description that identifies their contractual responsibilities. Each position should be required to prepare a timesheet to document the work performed. A personnel file should be maintained with an employment letter, performance reviews and other relevant documents.

Client Response

The BNC issued several RFPs for the neighborhood staff position. In that RFP, we outlined the job description and necessary qualifications. We did hire two part-time staff persons in 2014, but one has left for another position out of state. We now have one part-time staff. We receive a monthly timecard that we review and file. We have contracted with ADP to assist with employee timecards, which includes paying and filing necessary quarterly and annual tax documents with the state and federal entities. The Board Chair keeps a personnel file. The BNC will hold a six-month review and an annual review thereafter and will place those findings in the personnel file.

IV. Financial Reporting

The BNC relies on a volunteer board member, the Treasurer, to prepare financial statements. The accounting responsibilities and financial statements have been maintained by the board using excel spreadsheets without an outside accountant. The responsibility is significant and financial reporting requires a significant amount of time. Board members are at risk of not fulfilling their fiduciary responsibilities because of the delay in financial reporting.

Findings

The BNC should recognize that as the complexity of financial reporting increases it may become beyond the scope of a volunteer board to maintain. Hiring an outside accountant may result in a significant amount of time savings for volunteer board members to concentrate on their duties.

Client Response

The BNC is current on all its tax filing obligations. The BNC does realize the importance of hiring a professional to assist with its financial reporting. The BNC hired an experienced bookkeeper in November 2014 to assist with financial reporting.

V. Internal Controls

A summary of the internal controls over cash receipts, cash disbursements and payroll are as follows

A. Cash Receipts

The BNC has the following funding sources.

- City of Minneapolis
- Program income from community garden fees
- Fundraising (two dog-park fundraising events)

Government grants are collected with a draw request. BNC provides financial records that are used to support a payment. The Treasurer is responsible for preparing these requests and providing support. The BNC receives ACH deposits from the City of Minneapolis. These

deposits are filed with supporting documentation to minimize delays and errors in the depositing of funds.

Garden fees are considered Program Income is not a significant source of funding. The BNC uses QuickBooks to track its funding sources and expenses. Financial reports are exported from QuickBooks to an Excel spreadsheet. When the checks arrive, the Treasurer takes the check(s) to Wells Fargo bank and has the bank teller stamp the back of the check "For Deposit Only" and updates accounting records in QuickBooks. The board chair and Treasurer are bonded with Fidelity through State Farm Insurance

Findings

I recommend BNC consider three ways to improve the control environment.

1. Maintain a cash receipts log. The Excel spreadsheet is an example of cash receipts log because it serves the purpose of recording checks immediately when they are received, and minimizes the potential for lost or missing checks.
2. Require all checks should be restrictively endorsed as payable to BNC when received.
3. Require two people to collect, handle and count the cash when events include cash collections.

Client Response

The BNC uses QuickBooks to track its funding sources and expenses. As part of our policies and procedures, the BNC is outlining procedures for cash receipts. This includes creating a cash receipts log and a procedure for handling incoming cash and check deposits. Going forward, all checks will be endorsed as payable to the BNC immediately upon receipt and will be deposited with Well Fargo within a specific time frame. Two people are always required to collect, handle and count the cash at events. We will be writing procedures for where the money is kept until deposit.

B. Cash Disbursements

The BNC has procedures to authorize and record the disbursement of funds. Payments are also made after supporting invoices are provided. Checks are prepared manually by the Treasurer who also keeps blank checks in a secure location. Authorized signers for checks are the Board chair and Treasurer. Blank checks are not signed, and no checks are made to cash. Reimbursements are made only with supporting invoices.

The BNC uses debit cards to make purchases. The board chair and the Treasurer have access to the card. The debit card is used primarily for copies, conference registrations, and office supplies. It is not used to access cash for reimbursements.

Treasurer reconciles the bank statement.

Findings

There are changes that could improve the control environment for BNC. They include the following recommendations.

1. The BNC should develop a check request form to document all disbursements have been authorized and approved. A payment request forms shall be approved by an officer before payment is made.
2. The BNC board of directors should approve an annual budget and develop financial reporting to compare actual expenses to budgeted expenses. This is an effective form of control.
3. Recognize the Treasurer has control over all phases of a transaction since the Treasurer can approve a transaction, prepare a check, record the transaction, maintain the check stock and perform a bank reconciliation. I recommend that another board member receive the unopened bank statement and also review the bank reconciliation.
4. Require that all equipment purchased be recognized as property of BNC

Client Response

1. The BNC has developed a reimbursement request form. Internal reimbursement requests must be submitted to the Chair, on the BNC provided form, with receipts attached as available. The Chair will authorize reimbursement requests by signing the form and passing the form to the Treasurer. The Treasurer will prepare the payment, obtain signatures, make a copy, and mail/hand check to requester.
2. The BNC adopted an annual budget at our December 2014 meeting. An annual budget will be created and adopted annually in May.
3. The Board is working to develop and implement policies and procedures to ensure separation of duties. The Chair or Vice-Chair will receive and review the unopened bank statement. After review, the statement will be passed to the Treasurer. The bookkeeper will be doing a monthly reconciliation. A report will be prepared for Board review.
4. All equipment purchased is labeled in permanent marker as "BNC". Staff will begin to document all equipment in an Excel spreadsheet. The Treasurer, with assistance from the Bookkeeper will record all capitalized assets in QuickBooks.

C. Staffing

New staff should be evaluated to determine if they can play a role in the financial management of BNC. While it is important to limit staff access to documents and ensure they have limited control, they may be able to reduce the burden of financial reporting of the current Treasurer.

Findings

BNC should consider options to reduce the financial management responsibilities of the Treasurer.

Client Response

Our staff person is learning the details of our contracts and, therefore, is learning to assist with our reimbursement procedures. Our staff has “view only” access to our Wells Fargo bank account. We have contracted with a bookkeeper to help with reconciliation and financial reporting. Our bookkeeper also has “view only access to our Wells Fargo bank account

D. Contract Status

Based on a contract evaluation as of December 31, 2014, the following is the status of contracts with the City of Minneapolis. The BNC is making timely draw requests.

Contract Number	Contract Name	Contract Amount	Advance	Total City Payments	Balance
12228	Phase I plan implementation	97,778.96	10,000.00	88,331.01	9,447.95
16409	Lock & lights	36,115.00	1,600.00	28,410.21	7,704.79
34015	Phase II program activities	58,064.63	10,000.00	10,000.00	48,064.63
36835	2012-13 CPP	10,264.51	8,750.00	10,264.51	---
38204	2014-16 CPP	32,500	8,100	14,980.38	17,519.62

Findings

I recommend BNC officials review the status of outstanding contracts by working with Neighborhood and Community Relation staff to resolve differences perhaps through plan modifications, or resubmitting draw requests.

Client Response

The BNC has a financial study session scheduled for Tuesday, January 27, 2015 with the Board of Directors, BNC staff, and NCR staff to better understand open contracts and available funds. The BNC plans to make draw requests on a monthly basis going forward.